

EXHIBIT 1

INTRODUCTION

Respondent Sarah Reyes was a successful incumbent candidate for the 31st District of the California State Assembly in the November 7, 2000 general election. Respondent Friends of Sarah Reyes (“Committee”) is the controlled committee of Respondent Sarah Reyes. Respondent Gustavo Corona is the treasurer of Respondent Committee.

As a candidate and as a controlled committee, Respondent Sarah Reyes and Respondent Committee have an obligation under the Political Reform Act (the “Act”)¹ to disclose when Respondents make or receive a late contribution in a properly filed late contribution report within 24 hours of making or receiving the late contribution. In this matter, Respondents failed to disclose that Respondents made eight late contributions totaling \$80,000, and received 23 late contributions totaling \$105,000 in properly filed late contribution reports.

For the purposes of this stipulation, Respondent’s violations of the Act are stated as follows:

- COUNT 1:** Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose a \$2,500 late contribution made to California State Assembly candidate Simon Salinas in a properly filed late contribution report, by the October 23, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 2:** Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose a \$2,500 late contribution made to California State Assembly candidate Gloria Negrete McLeod in a properly filed late contribution report, by the October 25, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 3:** Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose a \$2,500 late contribution made to California State Assembly candidate Dario Frommer in a properly filed late contribution report, by the October 25, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 4:** Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose a \$1,000 late contribution made to California State Assembly candidate Roz McGrath in a properly filed late contribution report, by the October 25, 2000 due date, in violation of section 84203, subdivision (a).

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

- COUNT 5: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$10,000 late contribution from the California State Council of Service Employees in a properly filed late contribution report, by the October 27, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 6: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,000 late contribution from Maria Gutierrez in a properly filed late contribution report, by the October 27, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 7: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$2,600 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed late contribution report, by the October 27, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 8: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,000 late contribution from the International Brotherhood of Electrical Workers (IBEW) Educational Committee in a properly filed late contribution report, by the October 28, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 9: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$2,500 late contribution from Richard Gunner and George Andros in a properly filed late contribution report, by the October 28, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 10: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,700 non-monetary late contribution from the California Professional Firefighters PAC in a properly filed late contribution report, by the October 28, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 11: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,000 late contribution from Steven Westly in a properly filed late contribution report, by the October 29, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 12: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$13,700 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed late contribution report, by the October 29, 2000 due date, in violation of section 84203, subdivision (a).
- COUNT 13: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to

disclose the receipt of a \$2,000 late contribution from the California State Council of Laborers PAC in a properly filed late contribution report, by the November 1, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 14: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,000 late contribution from the California Association of Licensed Investigators PAC in a properly filed late contribution report, by the November 1, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 15: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$10,000 late contribution from California State Senate candidate Gilbert Cedillo in a properly filed late contribution report, by the November 1, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 16: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,500 late contribution from the California Commerce Club, Inc. in a properly filed late contribution report, by the November 1, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 17: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$10,200 non-monetary late contribution from the Democratic State Central Committee of California in a properly filed late contribution report, by the November 1, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 18: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose a \$35,000 late contribution made to Assembly Democratic Leadership 2000 in a properly filed late contribution report, by the November 1, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 19: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$20,000 late contribution from the Democratic Congressional Campaign Committee in a properly filed late contribution report, by the November 2, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 20: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$2,500 late contribution from Table Mountain Rancheria in a properly filed late contribution report, by the November 2, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 21: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$4,100 non-monetary late contribution from Assembly Democratic Leadership 2000 in a properly filed late contribution report, by the November 2, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 22: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose a \$25,000 late contribution made to Assembly Democratic Leadership

2000 in a properly filed late contribution report, by the November 2, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 23: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$2,500 late contribution from the California Applicants' Attorneys Association in a properly filed late contribution report, by the November 3, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 24: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,000 late contribution from Wanda Grayson in a properly filed late contribution report, by the November 3, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 25: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,200 late contribution from Verizon Wireless in a properly filed late contribution report, by the November 4, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 26: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose a \$1,500 late contribution made to Assembly Democratic Leadership 2000 in a properly filed late contribution report, by the November 4, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 27: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$3,000 late contribution from Pechanga Band of Mission Indians in a properly filed late contribution report, by the November 5, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 28: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,500 late contribution from International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), Region Five, Western States PAC in a properly filed late contribution report, by the November 5, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 29: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$1,000 late contribution from Ralph's Grocery Company in a properly filed late contribution report, by the November 5, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 30: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose the receipt of a \$10,000 late contribution from Consumer Attorneys PAC in a properly filed late contribution report, by the November 7, 2000 due date, in violation of section 84203, subdivision (a).

COUNT 31: Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona failed to disclose a \$10,000 late contribution made to Assembly Democratic Leadership 2000 in a properly filed late contribution report, by the November 7, 2000 due

date, in violation of section 84203, subdivision (a).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns be fully and truthfully disclosed, in order for voters to be fully informed and improper practices inhibited. To that end, the Act sets forth a comprehensive campaign reporting system.

Section 82013, subdivision (a) defines a “committee” as any person or combination of persons who directly or indirectly receives contributions totaling \$1,000 or more in a calendar year. This type of committee is commonly referred to as a “recipient” committee. Under section 82016, subdivision (a), a recipient committee that is controlled directly or indirectly by a candidate is a “controlled committee.”

Under section 84203, subdivision (a), when a controlled committee makes or receives a late contribution, the committee must file a late contribution report in paper format disclosing the contribution within 24 hours of making or receiving the contribution. Section 82036 defines a “late contribution” as a contribution aggregating \$1,000 or more that is received before an election, but after the closing date of the last pre-election campaign statement that is required to be filed. Under section 84200.7, subdivision (b), for an election held in November of an even-numbered year, the late contribution period covers the last 16 days before the election.

In 1997, the Legislature amended the Act to require committees that are significantly active on the state level to file their campaign statements electronically as well as on paper. Section 84605, subdivision (i) provides that persons who file electronically must continue to file paper campaign statements. For legal purposes, section 84605, subdivision (i) also provides that a committee’s paper campaign statements are considered the official filings of the committee.

Under section 81004, subdivision (b), section 84100, and regulation 18427, subdivision (c), it is the duty of a committee’s treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee’s treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Respondent Sarah Reyes was a successful incumbent candidate for the 31st District of the California State Assembly in the November 7, 2000 general election. Respondent Friends of Sarah Reyes is the controlled committee of Respondent Sarah Reyes. Respondent Gustavo Corona is the treasurer of Respondent Committee. During the November 7, 2000 general election, Respondents received contributions totaling \$603,819 and made expenditures totaling \$546,033. This matter arose as a result of an audit conducted by the Franchise Tax Board for the period January 1, 1999 through December 31, 2000.

As a candidate and as a controlled committee, Respondent Sarah Reyes and Respondent Committee have an obligation to disclose when Respondents make or receive a late contribution within 24 hours of making or receiving the late contribution. The late contribution period for the November 7, 2000 general election was October 22 through November 6, 2000. In this matter, Respondents failed to disclose the making of eight late contributions totaling \$80,000, and the receipt of 23 late contributions totaling \$105,000 prior to the November 7, 2000 election.

For each late contribution that Respondents made, but that was not properly disclosed, the following table sets forth by count the recipient, date, and the amount:

Count	Date	Payee	Amount
1	10/22/00	Simon Salinas, Assembly Candidate, 28 th Dist.	2,500
2	10/24/00	Gloria Negrete McLeod, Assembly Candidate, 61 st Dist.	2,500
3	10/24/00	Dario Frommer, Assembly Candidate, 43 rd District	2,500
4	10/24/00	Roz McGrath, Assembly Candidate, 37 th District	1,000
18	10/31/00	Assembly Democratic Leadership 2000	35,000
22	11/01/00	Assembly Democratic Leadership 2000	25,000
26	11/03/00	Assembly Democratic Leadership 2000	1,500
31	11/06/00	Assembly Democratic Leadership 2000	10,000
Total			\$80,000

For each late contribution that Respondents received, but that was not properly disclosed, the following table sets forth by count the contributor, date, and the amount:

Count	Date	Contributor	Amount
5	10/26/00	CA State Council of Service Employees	10,000
6	10/26/00	Maria Gutierrez	1,000
7	10/26/00	Democratic State Central Committee of CA	2,600
8	10/27/00	IBEW Educational Committee	1,000
9	10/27/00	Richard Gunner/George Andros	2,500
10	10/27/00	CA Professional Firefighters PAC	1,700
11	10/28/00	Steven Westly, State Controller Candidate	1,000
12	10/28/00	Democratic State Central Committee of CA	13,700
13	10/31/00	CA State Council of Laborers PAC	2,000
14	10/31/00	CA Association of Licensed Investigators PAC	1,000
15	10/31/00	Gilbert Cedillo, State Senate Candidate, 22 nd Dist.	10,000
16	10/31/00	CA Commerce Club, Inc.	1,500
17	10/31/00	Democratic State Central Committee of CA	10,200
19	11/01/00	Democratic Congressional Campaign Committee	20,000
20	11/01/00	Table Mountain Rancheria	2,500
21	11/01/00	Assembly Democratic Leadership 2000	4,100
23	11/02/00	CA Applicants' Attorney Association	2,500
24	11/02/00	Wanda Grayson, Civic Activist	1,000
25	11/03/00	Verizon Wireless	1,200
27	11/04/00	Pechanga Band of Mission Indians	3,000

28	11/04/00	UAW Region 5 Western States PAC	1,500
29	11/04/00	Ralph's Grocery Company	1,000
30	11/06/00	Consumer Attorneys PAC	10,000
Total			105,000

Respondents Sarah Reyes, Friends of Sarah Reyes, and Gustavo Corona did not disclose the making or receipt of 31 late contributions in properly filed late contribution reports as required by section 84203, subdivision (a). In mitigation, Respondents properly filed 22 of the 31 late contributions in electronic format, omitting only the paper version of the report. The 22 contributions disclosed electronically totaled \$152,560.

CONCLUSION

This matter consists of 31 counts of violating section 84203, subdivision (a) and carries a maximum possible administrative penalty of \$2,000 per violation, for a total of \$62,000. However, under the Enforcement Division's Streamlined Late Contribution Enforcement Program, the approved administrative penalty for failing to timely disclose a late contribution is 15 percent of the amount of the undisclosed contribution. For late contribution cases that are not resolved in the streamlined program, the typical administrative penalty is 15 to 25 percent of the amount of the undisclosed contribution, depending on the circumstances of the violation.

In this matter, as Respondents electronically disclosed 22 of the 31 contributions prior to the election, imposition of a penalty that is somewhat lower than the typical penalty is appropriate. Accordingly, the facts of this case justify imposition of the agreed upon penalty of Twenty-three Thousand Dollars (\$23,000).